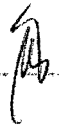


9 SEP 29 P 3:50

SENATE  
P. S. R. No. 1381

RECEIVED BY 

---

Introduced by Senator Miriam Defensor Santiago

---

RESOLUTION

DIRECTING THE PROPER SENATE COMMITTEE TO CONDUCT AN INQUIRY,  
IN AID OF LEGISLATION, ON THE REPORTED NEED TO CREATE MEASURES  
TO PREVENT TAX COLLECTION PROBLEMS FROM REACHING WORRISOME  
LEVELS

WHEREAS, the *Philippine Daily Inquirer* in its 24 September 2009 issue reported that the Asian Development Bank has warned the government to be mindful of the country's fiscal situation to prevent tax collection woes from reaching worrisome levels;

WHEREAS, it was reported that Neerai Jain, country director of the ADB for the Philippines claimed that the government needs to pass bills that will generate more revenues; such bills include the increase in excise tax for cigarettes and alcohol and the rationalization of fiscal incentives;

WHEREAS, the report claimed that the Department of Finance has been pushing for the passage of the bill seeking to raise taxes collected from manufacturers of cigarettes and alcoholic beverages, which proposes that a uniform tax rate will apply on cigarettes and a standard tax rate will apply for each alcohol type; the bill also calls for the indexation of the tax rates to inflation;

WHEREAS, the report also said that under the proposed rationalization of fiscal incentives, tax- and duty-free privileges enjoyed by some businesses will be lifted

WHEREAS, according to Jain, the Philippines will be able to attract more investors if it would spend more on infrastructure; however, in order to achieve this, the government must raise more revenues especially if it wishes to continue pump-priming the economy;

WHEREAS, the report claimed that Joseph Zveglich, assistant chief economist at the ADB, said that the government should be careful not to allow a freefall of its revenue collection;

WHEREAS, it was claimed that in the first eight months of the year, the government's budget deficit reached P210 billion; furthermore, analysts have said that the budget gap as of August made it likely for the government to breach the official, full-year deficit ceiling of P250 billion, which is equivalent to 3.2 percent of the expected gross domestic product for the year;

WHEREAS, it was reported that according to international market standards, a deficit exceeding 3.5 percent of GDP may already be unmanageable; such a budget gap may encourage investors to seek high interest rates from government-issued bonds;

WHEREAS, it was alleged that the deficit as of August was partly due to falling tax collection by the Bureau of Internal Revenue, which generated P500 billion during the period, down from P532 billion in the same month last year;

WHEREAS, Jain noted that the Philippine government's tax effort had deteriorated since the late 1990s, thus harming the country's competitiveness; tax effort is the proportion of tax collection to the country's gross domestic product, and indicates a government's ability to raise more revenues as the economy improves;

WHEREAS, the government should create measures to increase tax collections; while huge tax evaders should also be identified and pursued with the full force of the law;

WHEREFORE, be it hereby resolved by the Philippine Senate, to direct the proper Senate Committee to conduct an inquiry in aid of legislation, on the reported need to create measures to prevent tax collection problems from reaching worrisome levels.

Adopted,

  
MIRIAM DEFENSOR SANTIAGO

/mat